

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, October 26, 2005

PHASE-OUT PLAN FOR THE STATE RELOCATABLE CLASSROOM PROGRAM

PURPOSE OF REPORT

To present to the State Allocation Board (Board) a plan that details the phase out of the State Relocatable Classroom Program (Program) and a plan to expedite the approval of school districts' applications to purchase relocatable classrooms to meet capacity needs that result from a natural disaster.

BACKGROUND

At the August 2005 meeting, the Board was presented with and accepted a recommendation to phase-out the Program. To mitigate the impact to school districts, Staff has developed a systematic plan to provide for the disposition of the State owned relocatable classrooms (Relocatables). It is anticipated that this recommendation could phase out the program between three to five years.

A combination of concerns expressed by Board members and stakeholders about the State's ability to provide emergency housing needs when the Program is phased out and the general heightened awareness of emergency preparedness locally, statewide, and even on a national level have prompted Staff to develop a Natural Disaster Plan to be presented to the Board for review and approval.

DISCUSSION

**Phase-Out Plan**

After approving the phase-out of the Program, the Board directed Staff to sell all Relocatables, regardless of age. Due to the large number of Relocatables in the Program, Staff has developed a systematic Phase-Out Plan (Attachment A) to manage the sale of these buildings. These Relocatables will be made available for purchase in three processing cycles based on the year the Relocatable was built. Applications will be processed in priority order, with existing lessees receiving first priority.

Prior to the sale of any Relocatable, school districts will be required to certify to the condition of the building. If the district representative certifies that the Relocatable is in good repair, as defined by Education Code Section 17002(d), then the school district may purchase the Relocatable for classroom purposes. However, if the Relocatable is determined not to be in good repair, then one of two things will occur: the Relocatable will need to be brought into good repair prior to the sale if the intent is to house pupils for classroom purposes; or the Relocatable may be purchased as long as it is not to be used to house pupils. The Office of Public School Construction (OPSC) will conduct inspections of the Relocatables to ensure they are in good repair prior to the sale. The Relocatable sale proceeds will be deposited into the State School Building Aid Fund (0739) and will be available to support Program administration costs.

**Regulatory Changes**

The OPSC is seeking emergency adoption of these regulatory amendments. In an effort to limit the State's financial liability of the costs to manage and operate a fleet of over 6,500 Relocatables, the Board approved to phase out the Program. The Board also directed Staff to sell all Relocatables, regardless of age. Current regulations require school districts to include any purchased Relocatables as part of their classroom capacity, thereby reducing their School Facility Program (SFP) new construction eligibility. In order to provide an incentive for school districts to purchase Relocatables without an impact to their SFP new construction eligibility, the regulations will need to be modified accordingly. The adoption of these regulations on an emergency basis will accelerate the inception of the phase out plan and simultaneously lessen the State's financial responsibility to operate the Program.

## DISCUSSION (cont.)

### **Financial Needs of the Program**

At the request of the Board, Staff has prepared Attachment C that summarizes the estimated financial needs to operate the Program for the current and budget years. The current year (FY 2005/06) cost is estimated to be approximately \$4.5 million, which is less than had previously been expected because of the delay in determining the future direction for the Program and the delay in securing a new mover's contract.

Staff had previously estimated that there would be 276 moves made during the current year. Now, the estimate is down to 100 moves for the current year. The balance of the moves remaining in the contract will be used during the budget year. The total current year expenditure authority for the Program is \$6 million. Additionally, Staff has reviewed all prior year Program contracts that have recently concluded and have identified approximately \$3.2 million that can be disencumbered and made available to support Program operating costs. However, at the direction of the Board, in response to the legal counsel opinion regarding the inappropriateness of using bond funds to administer the Program, Staff has identified expenditures in the amount of \$1.4 million for prior year administrative costs that were funded by SFP Bond Funds. The disencumbered funds should be used to replenish the SFP bond fund. Therefore, Staff anticipates that with the net difference between total revenue available and total operating expenses, including the bond repayment expenses, will be \$3.3 million at year-end. The Board may determine that these funds are in excess of the funds needed to operate the Program and, therefore, available for transfer to the General Fund pursuant to Budget Act Control Section 24.30 or retained for future Program needs.

The budget year (FY 2006/07) cost to operate the Program is projected to be approximately \$9.5 million. The Board resolved to retain all lease revenue generated in the budget year for the purpose of administering the Program and to be used for other purposes at the discretion of the Board.

### **Natural Disaster Plan**

A combination of concerns expressed by Board members and stakeholders about the State's ability to provide emergency housing needs when the Program is phased out and the general heightened awareness of emergency preparedness locally, statewide, and even on a national level prompted Staff to develop a Natural Disaster Plan to be presented to the Board for consideration. The Natural Disaster Plan (Attachment D) will authorize the Executive Officer for the Board/OPSC and the Deputy Executive Officer for the OPSC to administratively expedite the approval of school districts' SFP new construction applications to purchase relocatable classrooms to meet capacity needs that result from a natural disaster, with detailed items to be presented to the Board for final review and approval.

## RECOMMENDATIONS

1. Approve the State Relocatable Classroom Program Phase-Out Plan (Attachment A) and the current and budget year expenditure plan, State Relocatable Classroom Projected Costs (Attachment C).
2. Direct Staff to deposit the Relocatable sale proceeds into the State School Building Aid Fund for the purpose of supporting Program administrative costs.
3. Direct Staff to stop accepting applications from school districts to lease Relocatables from the Program, effective December 1, 2005.

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RECOMMENDATIONS (cont.)

4. Approve the regulatory changes to the School Facility Program (Attachment B) on an emergency basis and authorize the OPSC to file these regulations with the Office of Administrative Law.
5. Grant the Executive Officer and the Deputy Executive Officer the administrative authority to expedite SFP applications to purchase relocatable classrooms in the event of a natural disaster, as outlined in Attachment D, with a subsequent Board item to authorize the actual funding.
6. Direct Staff to use lease revenues and Relocatable sale proceeds for the purpose of disposing of Relocatables that have been deemed by the Board to not be in good repair and that are not able to be repaired in a cost effective manner.
7. Grant the Executive Officer and the Deputy Executive Officer the administrative authority to approve the disposal of Relocatables that are deemed to not be in good repair and that are not able to be repaired in a cost effective manner, with a subsequent Board item to authorize the actual funding.
8. Direct Staff to transfer \$1,350,000 from Fund 0739, the State School Building Aid Fund, to the SFP Bond Fund as a reimbursement for prior year State Relocatable Program administrative expenses that were funded by SFP Bond Funds.

BOARD ACTION

In considering this item on October 26, 2005, the State Allocation Board approved staff's Recommendations 1 through 3 and 5 through 8, held over action on Recommendation number 4 in accordance with staff's request, and modified Attachment D to include purchases from other relocatable providers. In addition, the Board requested staff to report before the end of the fiscal year on the available funds.

ATTACHMENT A  
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**The State Relocatable Classroom Program  
Phase-Out Plan**

At the August 2005 State Allocation Board (Board) meeting, the Board approved the Phase-Out Plan for the State Relocatable Classroom Program (Program). In doing so, the Board directed Staff to prepare a process in which all State Relocatable Classrooms (Relocatable) will be sold. To ensure that school districts are able to meet their facility needs, school districts will be permitted to maintain their lease agreement in order to house their children while the phase out process proceeds. Additionally, a school district currently in the Program that wishes to purchase a Relocatable will receive the highest priority when the Relocatables are made available for sale. The Relocatable sale proceeds will be deposited into the State School Building Aid Fund (0739) and will be available to support Program administration costs. Further, regulatory amendments are being presented for approval that will permit school districts to purchase a Relocatable without impacting the school district's School Facility Program (SFP) new construction baseline eligibility.

The Office of Public School Construction (OPSC) is anticipating a large volume of requests to purchase Relocatables, thus the sale of relocatable classrooms will be conducted in three processing cycles. The first processing cycle will consist of Relocatables that were built between 1978 and 1991. The next processing cycle will include those Relocatables that were built between 1992 and 1998, followed by those Relocatables built between 1999 and 2003. As the first processing cycle concludes, notification will be sent out to school districts offering Relocatables in the next processing cycle, and so forth. Staff expects to process an average of 2,000 applications to purchase Relocatables in each of the three processing cycles.

The OPSC will process requests to purchase the Board's relocatable classrooms on a priority basis. First priority will be given to those school districts that are currently leasing a Relocatable. Other school districts, including charter schools, will be given second priority, followed by public entities and then private entities. Interested parties may file an application with the OPSC and their request will be processed on a first-come-first-served basis based on priority order. It is anticipated that the disposition of the Program shall take between three to five years.

Effective December 1, 2005, the OPSC will no longer accept applications to lease a Relocatable under the Program. Applications currently in-house to lease a Relocatable will be processed as soon as a building becomes available under the current provisions of the Program. Leasing applications received between October 27, 2005 - December 1, 2005 will be processed as soon as classrooms become available. However, the Board will no longer pay for the expense of transporting or setting up a Relocatable. During this period, school districts will have the option to purchase a Relocatable if the school district requires additional facilities.

**Notification of Available Relocatables**

Staff will sort the classrooms into the three processing cycles based on the age of the building. For each applicable cycle, school districts that are currently leasing Relocatables will be notified by letter that they are leasing a Relocatable that is eligible for purchase. School districts will be given the opportunity to choose one of three options: they may purchase a Relocatable, continue leasing the Relocatable, or return the Relocatable to the State.

With each notification letter, the school district will also receive a Relocatable Classroom Evaluation Form designed to assess the current condition of the classroom. The school district will be required to indicate the school district's intention (purchase, lease or return the Relocatable) within 60 days. If a school district elects to purchase or return a Relocatable, the district representative will be required to complete the evaluation form and certify to the condition of the Relocatable.

**Inspection**

An inspection by the OPSC may or may not be required based on the district certified condition of the Relocatable. If a Relocatable is certified to as being in good repair, pursuant to Education Code Section 17002(d), and a school district elects to use it to house pupils, the OPSC may conduct an inspection to ensure the Relocatable is in good repair.

If a school district certifies that a Relocatable is not in good repair and they wish to use the classroom to house pupils, then an OPSC inspection will be required. Accordingly, an inspection will be conducted to evaluate if the Relocatable can be brought into good repair and made available for sale for classroom use. All repairs must be completed prior to the sale of any Relocatables to be used to house pupils.

If a school district has elected to purchase a classroom for non-classroom purposes (storage, staff lounge, etc.), an OPSC inspection is not necessary, as long as the district representative certifies that the Relocatable will not be used to house pupils.

### **Disposal of Relocatables**

If it is determined that a Relocatable is not in good repair and that it is not able to be repaired in a cost effective manner, it may need to be demolished. In this case, it will be necessary for the Executive Officer of the Board/OPSC or the Deputy Executive Officer of the OPSC to be granted the authority to approve the disposal of a Relocatable, with a subsequent item to be sent to the Board.

### **Procedure for the Purchase of Relocatables**

After the OPSC has received the Application to Purchase Form and all other required documents, the Relocatable will be evaluated, and inspected if necessary, by the OPSC. If the Relocatable is deemed eligible for purchase, a school district may purchase the classroom for \$4,000 if the Relocatable is at least 10 years old or for the amount listed in Exhibit A for buildings less than 10 years old. If necessary, school districts may opt to purchase a Relocatable using a payment plan that is mutually agreeable, not to exceed nine years. The computation of the purchase price considers such things as the original purchase price paid by the Board, reimbursement expenses, moving costs, contract services less any rents received by the Board for a particular Relocatable. Exhibit A below represents current year purchase amounts that will be reduced annually by subsequent lease payments. To prevent the State of California from paying for these classrooms twice, SFP funds can not be used to purchase a Relocatable.

### **Exhibit A**

#### **State Relocatable Classroom Program Buying Guide**

Year Built	Purchase Price	Year Built	Purchase Price
1996	\$6,000.00	2000	\$18,000.00
1997	\$9,000.00	2001	\$21,000.00
1998	\$12,000.00	2002	\$24,000.00
1999	\$15,000.00	2003	\$27,000.00

Once Staff has processed a school district's request to purchase a Relocatable, Staff will prepare an item to the Board. If the Board approves the sale of the Relocatable, the school district will be required to make a payment to the Board. Once the final payment has been received by the Board, Staff will prepare a Transfer of Title transferring ownership of the Relocatable.

In the event a school district is purchasing a Relocatable from the Board that is currently residing at another school district, the purchasing school district will be responsible for all costs associated with transporting and setting-up the classroom. The purchasing school district will have 90 days from the Board's approval in which to take possession of the building. Failure to take possession within 90 days will result in the forfeiture of the purchase option and the Relocatable will be offered to the next buyer on the list.

### **Procedure for Maintaining a Lease**

If the school district elects to maintain their current lease agreement, the school district would be required to respond to the notification letter expressing their desire to maintain their current lease. Prior to the conclusion of the lease agreement in 2008, the OPSC will remind school districts that the Program will sunset in 2010 and they once again will be given the opportunity to either purchase the Relocatable, request an extension to their current lease agreement or return the Relocatable. If the school district requests a lease extension, they will be allowed a final two-year lease. At the conclusion of which, the OPSC will require the school district to either purchase or return the Relocatable.

### **Procedure for Returning a Relocatable**

If a school district elects to return a Relocatable, the school district will need to notify the OPSC in writing of their intent and complete the Classroom Evaluation Form. If the Relocatable is in good repair, Staff will make arrangements to transport the Relocatable to the next available school district that is currently on the Program waiting list for leasing Relocatables. Once the existing Program lease waiting list has been exhausted, Relocatables will be offered for sale to other school districts, public and private entities according to priority order.

Pursuant to the current lease agreement, the OPSC has one year in which to remove the Relocatable from the site. During that time, the OPSC will be working with other school districts, public agencies and private agencies to make sale arrangements and to remove the Relocatable from the existing site. The current lease agreement also requires that the school district maintain the Relocatable in a well maintained condition throughout the duration of the lease. If the Relocatable is reported to not be in good repair, an inspection will be conducted, and the OPSC will notify the school district regarding which repairs they will be responsible for making under the requirements of the lease agreement.

ATTACHMENT B  
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Section 1859.32. Adjustments to Gross Classroom Inventory.

After the gross classroom inventory has been prepared pursuant to Section 1859.31, it will be reduced by the following. Any classrooms:

- (a) abandoned and approved for replacement as a hardship under the provisions of the LPP;
- (b) at a school operated on a year-round schedule that has been used continuously for at least 50 percent of the time for preschool programs in the five years preceding the receipt of the application for determination of eligibility;
- (c) included in any new construction LPP project that has not received a Phase C apportionment;
- (d) that is portable and owned or leased by the district for 20 years or more that was approved for abandonment in a LPP project and the plans for the project had DSA approval prior to November 4, 1998;
- (e) that is a trailer and is transported/towed on its own wheels and axles;
- (f) used exclusively for regional occupational centers, regional occupational programs, child care, preschool and/or Adult Education Programs, and was built or acquired with funds specifically available for those purposes;
- (g) of less than 700 interior square feet;
- (h) originally built for instructional use, but converted to one of the following:
  - (1) used continuously for school administration for at least five years prior to the submittal of the application to the OPSC for determination of eligibility.
  - (2) used continuously for central or main district administration for at least five years prior to the submittal of the application to the OPSC for determination of eligibility.
  - (3) used for school library purposes during the previous school year.
- (i) owned but leased to another district.
- (j) any portable classroom excluded by Education Code Section 17071.30.
- (k) that is permanent space and leased for less than five years.
- (l) any permanent classroom contained in a project for which the construction contract was signed between August 27, 1998 and November 18, 1998 and for which the district did not have full project eligibility under the LPP.
- (m) that was acquired with joint-use funds specifically available for that purpose.
- (n) that is a portable classroom purchased directly from the Board.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17052, 17071.25, 17071.30 and 17077.40, Education Code.

Section 1859.51. Adjustments to the New Construction Baseline Eligibility.

The baseline eligibility for new construction determined on the Form SAB 50-03, will be adjusted as follows:

- (a) Reduced by the number of pupils provided grants in a new construction SFP project and by the number of pupils that received a Preliminary Apportionment pursuant to Section 1859.140 or a Preliminary Charter School Apportionment pursuant to Section 1859.160.
- (b) Reduced by the number of pupils housed, based on the loading standards pursuant to Education Code Section 17071.25(a)(2)(A), in a new construction LPP project funded under the provisions of the LPP pursuant to Sections 1859.12 or 1859.13.
- (c) Reduced by the number of pupils housed in additional classrooms constructed or purchased based on the loading standards, pursuant to Education Code Section 17071.25(a)(2)(A), in a modernization SFP project.
- (d) Adjusted as a result of the audit findings made pursuant to Sections 1859.90 and 1859.105.
- (e) Increased/decreased by changes in projected enrollment in subsequent enrollment reporting years for all districts except decreases as provided in (j) below.
- (f) Adjusted as a result of errors or omissions by the district or by the OPSC.
- (g) Adjusted as a result of amendments to these Regulations that affect the eligibility.

- (h) Increased by the number of pupils eligible for grants pursuant to Section 1859.82 (a).
- (i) Reduced by the number of pupils housed, based on loading standards pursuant to Education Code Section 17071.25(a)(2)(A), in any Classroom Provided after the baseline eligibility was determined by the Board with the exception of those pupils housed or to be housed in a classroom:
  - (1) That is a trailer and transportable/towed on its own wheels and axles.
  - (2) Of less than 700 interior square feet.
  - (3) Excluded pursuant to Education Code Section 17071.30.
  - (4) Where the contract for the lease, lease-purchase, purchase, or construction of the classroom was made prior to January 1, 2000.
  - (5) That is included in a SFP project where the district has funded a portion of the project beyond its required district contribution and the pupil capacity of the classroom does not exceed 150 percent of the number of pupils receiving a new construction grant (rounded up) for the SFP project.
  - (6) That was acquired with joint-use funds specifically available for that purpose.
  - (7) That is a portable classroom purchased directly from the Board.
- (j) For Small School Districts, decreased:
  - (1) By any reduction in projected enrollment that follows a three-year period after the district's eligibility was approved by the Board.
  - (2) By any increase in the number of pupils included in the latest operational grant report made by the CDE pursuant to Education Code Section 42268 beginning three years after the district's most current eligibility was approved by the Board. The reduction in eligibility shall be determined by the number of pupils included in the latest operational grant report that exceed the number of pupils included in the operational grant report in effect when the district's most current eligibility was approved by the Board or adjusted by a subsequent operational grant report after that date.
- (k) Adjusted for any change in classroom inventory as a result of a reorganization election.
- (l) For classroom loading standards adopted by the Board for non-severely disabled individuals with exceptional needs and severely disabled individuals with exceptional needs.
- (m) As directed by the Board due to a finding of a Material Inaccuracy pursuant to Regulation Section 1859.104.1.
- (n) Increased by the number of pupils that received a Preliminary Apportionment that was rescinded pursuant to Section 1859.148 or a Preliminary Charter School Apportionment that was rescinded pursuant to Section 1859.166.
- (o) Adjusted for operational grant changes as determined/provided by the California Department of Education.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17052, 17070.51, 17071.25, 17071.75, 17071.76, 17072.20 and 17077.40, Education Code.



ATTACHMENT C  
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**STATE RELOCATABLE CLASSROOM PROGRAM PROJECTED COSTS SUMMARY**

ATTACHMENT D  
State Allocation Board Meeting, October 26, 2005

NATURAL DISASTER PLAN

The Executive Officer and the Deputy Executive Officer have the authority to expedite School Facility Program applications to purchase relocatable classrooms in the event of a natural disaster, as specified below, with a subsequent Board item to follow to authorize the actual funding.

This policy shall be used to provide additional classroom capacity for school districts that have been impacted by a natural disaster such as a flood, fire, earthquake or hurricane. Additionally, school districts that are impacted by a rapid increase in enrollment due to displaced pupils from other school districts caused by a natural disaster are also eligible to apply for additional classroom capacity under this policy. This policy is applicable to students that are served under the School Facility Program.

Districts typically follow the "normal" process in filing a funding application to seek additional classroom capacity; however, since these situations are unusual and unique, each individual request will be processed using this Natural Disaster Plan.

Districts may obtain additional classroom capacity by utilizing their available School Facility Program new construction eligibility to purchase relocatable classrooms. To expedite the funding application process, districts must provide the following information:

1. Evidence of how the housing needs of the school district have been impacted by a natural disaster.
2. An *Application for Funding* (Form SAB 50-04) requesting only enough pupil grants to purchase a relocatable classroom(s).
3. Evidence of the purchase cost of the relocatable classroom(s) from the relocatable manufacturer/provider and evidence that the structure is Division of State Architect (DSA) approved.

Districts that do not have new construction eligibility typically have the facilities necessary to house displaced pupils; however, these situations will be reviewed and analyzed on a case-by-case basis.

The information above will allow the school district to address their emergency needs with the confidence of the eligibility of their request. In order to obtain funding from the State Allocation Board, school districts need to provide the standard CDE and DSA approvals.